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S E C R E T SECTION 01 OF 02 JAKARTA 001511

SIPDIS

STATE FOR P/SPECIAL ASSISTANT LAURA ROSENBERGER
STATE FOR INR PASS TO NATIONAL INTELLIGENCE COUNCIL
NSC FOR JEFF BADER AND DES WALTON

E.O. 12958: DECL: 09/10/2019
TAGS: [KDEM](#) [KISL](#) [PINR](#) [PREL](#) [XB](#)
SUBJECT: ENSURING COMPREHENSIVE PARTNERSHIP LONG-TERM
SUCCESS: JAKARTA REACTION TO NIC REPORT

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Classified By: CLASSIFIED BY DCM TED OSIUS FOR REASONS 1.4 (B) AND (D)

11. (C) SUMMARY: The Comprehensive Partnership with Indonesia offers an opportunity to guide Indonesia toward the "ASEAN Leader" scenario in the February 2009 NIC Report, "Indonesia: Scenarios for the Future and Implications for US Interests. Above all, Indonesia,s future depends on the quality of governance. A U.S.-Indonesia Comprehensive Partnership can nudge Indonesia toward its potential as "ASEAN Leader" by empowering governance reform. End Summary.

Why does Indonesian governance matter?

12. (C) Good governance is the oxygen needed so Indonesia can progress. Unless governance and public service delivery improve, popular disenchantment could erode democratic gains. With U.S. support, Indonesia can continue to showcase that Islam and democracy--along with pluralism--can prosper together. Should the U.S. wish to improve the chances of Indonesia becoming an "ASEAN Leader," it must assist the reformers within the Indonesian government. These reformers will push bureaucratic reforms and help the government to deliver tangible economic improvements.

The U.S. Can Nudge Indonesia Toward its Potential

13. (C) Indonesians are receptive to U.S. support for their improvements in governance. When the Indonesian government decided to intensify its pursuit of terrorists, the State Department,s support to Indonesia,s anti-terrorism police detachment made a difference in the detachment,s ability to curb terrorism. When Indonesian police leaders decided to reform the police forces, Department of Justice-led police-to-police cooperation yielded wide-reaching institutional reforms, such as the new use of force policy. Once President Yudhoyono committed to environmental leadership, the U.S. supported these environmental governance priorities by being an active partner in the Coral Triangle Initiative and World Ocean Conference.

14. (C) Governance reform largely depends on leadership. Because of the differences in ministers, quality and intentions, the difference between the Ministry of Finance and the Ministry of Forestry is vast, for example. There are thus opportunities for the U.S. to boost the effect of

reformers within the government. These opportunities can be tangible--as FBI cooperation with the Corruption Eradication Commission demonstrated. These opportunities can be symbolic--as President Yudhoyono read out loud the Ambassador's editorial praising the macroeconomic leadership of Finance Minister Sri Mulyani. These opportunities can also be long-term investments, such as educating Indonesia's future leaders.

Valuable Levers of Influence

15. (S) What levers of influence are available to the U.S. in Indonesia? Post strongly supports the NIC recommendation to "continue and expand US programs to strengthen bureaucratic efficiency, civil society, educational institutions, the police, and the judiciary." To the extent U.S. policy can have an impact on the daily lives of Indonesians, U.S. policy will be more effective.

16. (C) Indonesians care about governance because the majority see governance as inextricably linked to their economic opportunities. President Yudhoyono's popularity ratings have closely followed the prices of basic commodities. Economic issues dominated the recent Presidential election campaign. Recently, the Indonesian Survey Institute asked Indonesians what issues "are most urgent." Out of all issues, 76 percent of Indonesians said "people's welfare and economic opportunities" are most urgent. Religion remained at a mere 1 percent. Islamic political parties have suffered losses in recent elections because they stressed Islamic values over tangible issues such as good governance.

17. (U) By improving government performance, Indonesia has a better chance to prosper economically--and avoid threats that

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diminish with economic growth. As the WSJ recently wrote, "Foreign businesses say that a corrupt legal system and bureaucracy are major deterrents to doing business in Indonesia." The quality of governance will thus have a direct impact on foreign direct investment and other factors determining Indonesian economic health. Should Indonesian institutions be able to enhance economic predictability, threats to Indonesia will decrease--from regional separation to radical religious movements.

18. (C) Empowering individual reformers abroad is one proven way to improve governance at home in Indonesia. Prominent Indonesian officials receive attention overseas (in multilateral fora such as ASEAN and APEC) and then return to Indonesia strengthened to pursue reform at home. For example, President Yudhoyono used his London G-20 participation to demonstrate his international stature, which played well in the lead-up to elections. U.S. programs to empower these reformers internationally can lead to domestic policies favorable to U.S. interests, such as anti-corruption reform that improves the investment climate.

19. (C) Post believes fostering a peaceful civil society is another lever available to push governance reforms. Such investments, through people-to-people programs and public diplomacy, enable broader political support for governance reform. Engagement with Islamic groups here helps to keep them within the moderate camp, as our engagement with Islamic civil society groups during the Gaza crisis demonstrated. There are splits within Islamic political parties, such as those within the Prosperous Justice (PKS) political party. We should support the reformers and more moderate leaders. President Yudhoyono's anti-terrorism governance strategy may be more effective because it has received the backing of religious leaders.

110. (C) The quality of democratic governance in Indonesia will determine Indonesia's future course more than anything else. The Comprehensive Partnership will thus only succeed if it improves governance. A more robust partnership

between the world,s third and fourth largest countries can have positive effects beyond our country,s borders. Support for individual bureaucratic reformers, who can create institutional reforms, is vital to good governance improvements. The dedication of U.S. resources to support the Comprehensive Partnership can influence whether Indonesia just muddles through or becomes the ASEAN Leader we know it can become.

¶11. (U) This cable was prepared by three of Embassy Jakarta,s entry-level officers.
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